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June 14, 2005

BY OVERNIGHT DELIVERY AND E-FILE

Mary L. Cottrell, Secretary  
Department of Telecommunications and Energy  
One South Station  
Boston, MA 02110

Re: Bay State Gas Company, D.T.E. 05-27

Dear Ms. Cottrell:

Enclosed for filing, on behalf of Bay State Gas Company ("Bay State"), please find Bay State's responses to the following information requests of the Attorney General:

AG-1-13      AG-2-61      AG-5-3      AG-10-36 (BULK)

AG-5-1 SUPP

Please do not hesitate to telephone me with any questions whatsoever.

Very truly yours,

Patricia M. French

cc: Caroline O'Brien Bulger, Esq., Hearing Officer (1 copy)  
A. John Sullivan, DTE (7 copies)  
Andreas Thanos, Ass't Director, Gas Division  
Alexander Cochis, Assistant Attorney General (4 copies)  
Service List

COMMONWEALTH OF MASSACHUSETTS  
DEPARTMENT OF TELECOMMUNICATIONS AND ENERGY

RESPONSE OF BAY STATE GAS COMPANY TO THE  
FIRST SET OF INFORMATION REQUESTS FROM THE ATTORNEY GENERAL  
D. T. E. 05-27

Date: June 13, 2005

Witness Responsible: Stephen H. Bryant, President

AG-1-13: Please provide the following information for the Company:

- (1) the most recent five-year sales volume forecasts for each of its customer classes;
- (2) the most recent five-year financial forecast; and
- (3) the most recent projected financings for the next five years.

Response: Please see the following attachments containing the requested information for the period 2005 through 2009:

Attachment AG-01-13 (a): Throughput forecast

Attachment AG-01-13 (b): Income statement

Attachment AG-01-13 (c): Balance sheet

Attachment AG-01-13 (d): Indirect cash flow schedule, including projected financings

Attachment AG-01-13 (e) provides additional information related to the income statement provided in Attachment AG-01-13 (b), including projected below-the-line revenues and projected ROE, net of below-the-line revenues.

**Bay State Gas Company**  
Forecasted Throughput  
5 Year Trend  
(mmcft)

	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>
<i>Billed</i>					
Residential	24,508	24,545	24,725	24,909	25,099
Commercial and Industrial	26,988	26,729	27,038	27,332	27,623
<i>Unbilled</i>					
Residential	(601)	11	12	11	12
Commercial and Industrial	(613)	16	17	18	17
<i>Throughput</i>					
Residential	23,907	24,556	24,737	24,920	25,111
Commercial and Industrial	26,375	26,745	27,055	27,350	27,640

**Bay State Gas**  
*Income Statement*  
5 Year Trend  
(\$000)

	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>
Gas Revenue	\$514,131	\$542,776	\$526,008	\$525,736	\$543,905
Gas Purchase Expense	320,231	329,723	302,836	296,567	309,645
Plant Revenue	193,900	213,053	223,172	229,169	234,260
O&M Expense	107,551	110,631	112,058	113,203	114,434
Depreciation	29,333	36,030	37,680	39,157	40,963
Other Taxes	10,032	10,619	11,189	11,877	12,465
Plant Expenses	146,916	157,280	160,927	164,237	167,862
Operating Income Before Taxes	46,984	55,773	62,245	64,932	66,398
Income Taxes	12,634	16,103	18,558	19,460	20,019
Net Operating Income	34,350	39,670	43,687	45,472	46,379
Other Income	(195)	(215)	(211)	(185)	(47)
Income Before Interest	34,155	39,455	43,476	45,287	46,332
Interest Expense	12,986	14,145	14,363	14,776	14,957
<i>Net Income</i>	<u>\$21,169</u>	<u>\$25,310</u>	<u>\$29,113</u>	<u>\$30,511</u>	<u>\$31,375</u>

**Bay State Gas**  
*Balance Sheet Summary*  
5 Year Trend  
(\$000)

	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>
<u>Assets</u>					
Property, Plant and Equipment	\$817,188	\$864,412	\$911,636	\$958,860	\$1,006,084
Accumulated Depreciation	(313,162)	(344,541)	(377,570)	(412,076)	(448,388)
Net Property, Plant and Equipment	504,026	519,871	534,066	546,784	557,696
Current Assets	192,521	168,681	166,849	167,423	166,589
Deferred Assets	(59)	(27)	5	37	69
Regulatory Assets	33,211	31,482	29,685	27,812	25,924
Other Non-Current Assets	222	222	222	222	222
Total Assets	729,921	720,229	730,827	742,278	750,500
<u>Capitalization and Liabilities</u>					
Common Stock	0	0	0	0	0
Additional Paid in Capital	170,898	170,898	170,898	170,898	170,898
Retained Earnings	42,816	50,726	56,639	61,650	65,426
Total Equity	213,714	221,624	227,537	232,548	236,324
Long-term Debt	192,900	199,500	206,100	212,400	218,000
Total Capitalization	406,614	421,124	433,637	444,948	454,324
Current Liabilities	199,156	175,353	174,095	176,014	177,204
Non-current Liabilities	124,151	123,752	123,095	121,316	118,972
Total Capitalization and Liabilities	\$729,921	\$720,229	\$730,827	\$742,278	\$750,500

**Bay State Gas**  
*Indirect Cash Flow*  
5 Year Trend  
(\$000)

	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>
Net Income	21,169	25,310	29,113	30,511	31,375
Depreciation	29,333	36,030	37,680	39,157	40,963
Other Long-term Cash from Operations	(3,186)	1,298	1,108	62	(487)
Cash Before Working Capital	<u>47,316</u>	<u>62,638</u>	<u>67,901</u>	<u>69,730</u>	<u>71,851</u>
Due to Change in Current Assets	33,711	23,840	1,833	(574)	834
Due to Change in Current Liabilities	(3,622)	5,213	5,096	5,397	4,646
Working Capital Change	<u>30,089</u>	<u>29,053</u>	<u>6,929</u>	<u>4,823</u>	<u>5,480</u>
Net Cash from Operations	77,405	91,691	74,830	74,553	77,331
Long-term Notes Issued	24,400	6,600	6,600	6,300	5,600
Long-term Notes Repayment	(10,000)				
Dividends	(9,900)	(17,400)	(23,200)	(25,500)	(27,600)
Short-term Debt	(30,039)	(29,016)	(6,355)	(3,478)	(3,456)
Net Financing Activity	<u>(25,539)</u>	<u>(39,816)</u>	<u>(22,955)</u>	<u>(22,678)</u>	<u>(25,456)</u>
Net Construction	(51,866)	(51,875)	(51,875)	(51,875)	(51,875)

**Bay State Gas**  
*Income Statement Supplement*  
5 Year Trend  
(\$000)

	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>
Below the Line Pre-tax Revenue	\$4,274	\$4,744	\$5,244	\$5,761	\$5,761
Below the Line After-tax Revenue	2,598	2,883	3,187	3,502	3,502
Assumed OCI Balance	12,600	12,600	12,600	12,600	12,600
Equity Beginning Balance	202,400	213,714	221,624	227,537	232,548
Equity Ending Balance	213,714	221,624	227,537	232,548	236,324
Net Income	21,169	25,310	29,113	30,511	31,375
Per Plan					
Ending ROE	9.9%	11.4%	12.8%	13.1%	13.3%
Beginning/Ending Average ROE	10.2%	11.6%	13.0%	13.3%	13.4%
Adjusted*					
Ending ROE	8.2%	9.6%	10.8%	11.0%	11.2%
Beginning/Ending Average ROE	8.4%	9.7%	10.9%	11.1%	11.3%

\*Eliminates below-the-line, after-tax revenue associated with non-firm throughput and adjusts equity for OCI

COMMONWEALTH OF MASSACHUSETTS  
DEPARTMENT OF TELECOMMUNICATIONS AND ENERGY

RESPONSE OF BAY STATE GAS COMPANY TO THE  
SECOND SET OF INFORMATION REQUESTS FROM THE ATTORNEY GENERAL  
D. T. E. 05-27

Date: June 14, 2005

Responsible: Stephen H. Bryant, President  
Danny G. Cote, General Manager

AG-2-61      Provide a copy of the CV or resume of Mr. Danny G. Cote and Mr.  
Stephen H. Bryant.

Response:    Please see Attachment AG-2-61 (a) for a summary vitae for Mr. Bryant  
and Attachment AG-2-61 (b) for a summary vitae for Mr. Cote.



## STEPHEN H. BRYANT

Bay State Gas Company  
D.T.E. 05-27  
Attachment AG-2-61 (a)

<b>Areas of Expertise</b>	REGULATORY STRATEGY	COMPLIANCE	PUBLIC AFFAIRS
	BUSINESS PLANNING	UTILITY OPERATIONS MANAGEMENT	UTILITY MARKETING/SALES
	CUSTOMER RELATIONS	SERVICE QUALITY	COMMUNITY LIAISON

### ***Summary of Significant Accomplishments***

#### **President, BAY STATE GAS COMPANY, Westborough, MA (Since 2003)**

Reporting to the Executive Vice President – Regulated Revenue of NiSource, Inc., responsible for the safe, reliable, least cost operation of Bay State Gas Company and its wholly-owned subsidiary, Northern Utilities, Inc. Responsibilities include preparation and monitoring of adherence to annual capital, operations and administrative budgets, ensuring service quality and customer relations, overseeing day-to-day personnel management, managing government relations, developing and executing regulatory strategy, assuring regulatory compliance, overseeing affiliate transactions and maintaining community and stakeholder relations.

#### **Vice President, External Relations – New England, NiSOURCE CORPORATE SERVICES COMPANY (2001-2003)**

Reporting to Bay State's President, ensured compliance with legislative and regulatory mandates for NiSource's New England-based distribution companies; formulated business and regulatory strategy. Addressed regulatory challenges during corporate restructuring; renewed and maintained customer satisfaction and service quality.

#### **Vice President, Marketing Services, CONNECTICUT NATURAL GAS CORPORATION (1997-2000)**

Reporting to the Chairman and Chief Executive Officer, formulated and responsible for regulatory strategy and compliance. Project manager for base rate proceedings, service pricing filings and performance based rates. Designed CNG's promotion of conservation rates and demand forecasts. Provided direct oversight for distribution system marketing and sales activities. Ensured customer relations, customer satisfaction and managed call center operations.

#### **Vice President, Marketing and Customer Relations, COMMONWEALTH GAS COMPANY (1991-1997)**

Reporting to the President and Chief Operating Officer, provided long-range business planning, developed regulatory strategy, oversaw marketing and public affairs. In addition, managed key aspects of LDC operations, including: sales management, facilities and office management, call center management, and purchasing, warehousing and fleet management.

#### **Director of Sales and Marketing, COMMONWEALTH GAS COMPANY (1988-1991)**

Reporting to Vice President – Sales and Marketing, responsible for distribution system marketing and sales, design of sales and marketing programs for appliance and non-utility services, ensuring advertising of company's products and services, managing consumer relations to ensure best cost customer satisfaction, and adopting demand-side management programs.

### ***Education***

**BOSTON UNIVERSITY**, SCHOOL OF MANAGEMENT - Masters of Business Administration, 1989  
**UNIVERSITY OF MASSACHUSETTS**, Bachelor of Arts, *Cum Laude*, 1981

### ***Professional Associations***

Director, Northeast Gas Association  
Director, The New England Council  
Director, Northeast Energy and Commerce Association  
Member, American Gas Association  
Member, Guild of Gas Managers  
Member, Society of Gas Lighting

***Highlight of Qualifications***

- Thirty-three years of progressive responsibilities in both field and executive positions within the natural gas industry. Demonstrated success in developing and implementing solutions to multi-dimensional complex operational problems.
- Comprehensive knowledge of all functional areas of gas utility operations, including; sales, service, public relations, labor relations, gas operations and executive administration.
- Extensive knowledge of federal and state codes compliance. Consultant and participant in workshops by state and federal safety and regulatory agencies, including; U.S. Department of transportation, National Transportation Safety Board, Maine Public Utilities Commission.
- Aggressively promoted legislation resulting in passage by the Maine Legislature of:
  - Underground Protection of Facilities Act, a.k.a. the Maine Dig Safe Law – 1992
  - Propane & Natural Gas Professional Act (service technician) – 1995
  - The Maine Local Highway Law – 1999
- Appointed by the Governor to the Maine Propane & Natural Gas Licensing Board – 1995.
- Chairman of the utility committee in the Massachusetts Department of Telecommunications & Energy negotiated rule making on street restoration – 1999.

**PROFESSIONAL EXPERIENCE****2001 – Present****Vice President/General Manager, Bay State Gas Company / Northern Utilities**

Accountable for overall leadership and direction for the operations areas of the Company. Responsibilities include oversight of Gas Distribution, Customer Service, Plants and System Regulation, Facilities, Engineering, Logistics, Fleet, and Meter shop. Work in conjunction with other corporate officers in developing policies and strategies to maintain efficiency, profitability and code compliance while aggressively promoting quality customer service. Responsible for development and expense control of a \$36 million operations maintenance budget and a \$60 million capital budget.

**1999 – 2001****Vice President and General Manager / Bay State Gas Company Northern Division (including Northern Utilities and the Lawrence Div. of Bay State)**

Responsibilities included oversight of Gas Distribution, Customer Service, Plants and System Regulation, and Sales.

**1996- 1999****Director of Maintenance & Construction / Bay State Gas Company and General Manager / Granite State Gas Transmission**

Responsible for system maintenance and construction for all divisions of Bay State and Northern Utilities. Oversaw operation of Granite State Gas Transmission Company.

**1990-1996****Maine Operations Manager / Northern Utilities**

Responsible for operations functions including, underground plant, service, metering, customer relations, gas plants.

**1988-1990****Distribution Manager/Northern Div. Bay State Gas Company**

Supervision of underground facilities for Maine, New Hampshire, Lawrence, Massachusetts.

**1979- 1988****Distribution Manager / Northern Utilities**

Budgeting, planning and maintenance of underground facilities in Maine.

**1974-1979****Distribution Supervisor****1972-1974****Draftsperson/Engineering****PROFESSIONAL AFFILIATIONS**

Chairman of the Board of New England Dig Safe

Chairman of the Northeast Gas Association's Operator Qualifications Task Force  
Chairman of NGA (Northeast Gas Association) Operating Board,  
Society of Gas Operators  
New England Guild of Gas Managers  
Board of Directors of Maine State Chamber of Commerce  
Voting Member of the ASME (American Society of Mechanical Engineers) B31Q Standards Committee

Attachment AG-2-61(b)  
DTE 05-27  
Page 2 of 2

## **EDUCATION**

Leadership Maine Program, Beta Class – 1994-1995  
University of Southern Maine Integrated Management Program – 1993  
Maynard Institute – Time Management Study – 1985  
Northeast Gas Association – Gas Operations School – 1974 through 1977  
University of Southern Maine - 1972

## **COMMUNITY ACTIVITIES**

Company Coordinator – United Way  
Company Coordinator – Maine Youth Apprenticeship Program  
Board of Directors – Scarborough Youth Football  
Past President – Deering Little League

COMMONWEALTH OF MASSACHUSETTS  
DEPARTMENT OF TELECOMMUNICATIONS AND ENERGY

RESPONSE OF BAY STATE GAS COMPANY TO THE  
FIFTH SET OF INFORMATION REQUESTS FROM THE ATTORNEY GENERAL  
D. T. E. 05-27

Date: June 14, 2005

Responsible: Earl M. Robinson, Consultant (Depreciation)

AG-5-3      Please provide copies of the last two depreciation studies prepared by or for the Company.

Response:    A copy of the depreciation study based upon the Company plant in service as of December 31, 1991 is provided in PDF format on the CD filed in response to AG-5-1. The AG-5-1 CD also contains the PDF copy of the depreciation study based upon the Company's plant in service as of December 31, 1998, which also responds to this request.

COMMONWEALTH OF MASSACHUSETTS  
DEPARTMENT OF TELECOMMUNICATIONS AND ENERGY

RESPONSE OF BAY STATE GAS COMPANY TO THE  
TENTH SET OF INFORMATION REQUESTS FROM THE ATTORNEY GENERAL  
D. T. E. 05-27

Date: June 14, 2005

Responsible: Paul R. Moul, Consultant (ROE)

AG-10-36 Referring to Exhibit BSG/PRM-1, Appendix E, page 13, please provide complete copies of the annual reports to shareholders for each of the companies in Mr. Moul's group of gas companies from which he derived the Fair Value of Financial Instruments.

Response: The following is a list of attachments included with this response:

Att. AG-10-36 (a) – AGL 2003 Annual Report  
Att. AG-10-36 (b) – New Jersey Resources 2003 Annual Report  
Att. AG-10-36 (c) – Piedmont Natural Gas Form 10-K Report  
Att. AG-10-36 (d) – South Jersey Industries 2003 Annual Report  
Att. AG-10-36 (e) – WGL Holdings, Inc. 2003 Annual Report – Part 1  
Att. AG-10-36 (f) – WGL Holdings, Inc. 2003 Annual Report – Part 2

**BULK ATTACHMENT**

COMMONWEALTH OF MASSACHUSETTS  
DEPARTMENT OF TELECOMMUNICATIONS AND ENERGY

RESPONSE OF BAY STATE GAS COMPANY TO THE  
FIFTH SET OF INFORMATION REQUESTS FROM THE ATTORNEY GENERAL  
D. T. E. 05-27

Date: June 14, 2005

Responsible: Earl M. Robinson, Consultant (Depreciation)

AG-5-1      Please provide a complete copy of the depreciation study and workpapers used to determine the depreciation accrual rates last approved by the Department, including all of the curve analyses for each plant account along with the resulting statistics.

Response:    A copy of the depreciation study filed in Docket 92-111 is being provided in PDF format. The study was performed based upon plant in service as of 12-31-91 and the workpapers are not available.

**SUPPLEMENTAL**

**RESPONSE:** The CD containing the .pdf format of the requested information was inadvertently omitted from the May 23<sup>rd</sup> response package. The enclosed CD contains the response to AG-5-1 and AG-5-3.